

You Ain't Seen Nothing Yet!

The Next Junk-Bond Implosion

Martin Fridson, CFA
CEO, FridsonVision LLC

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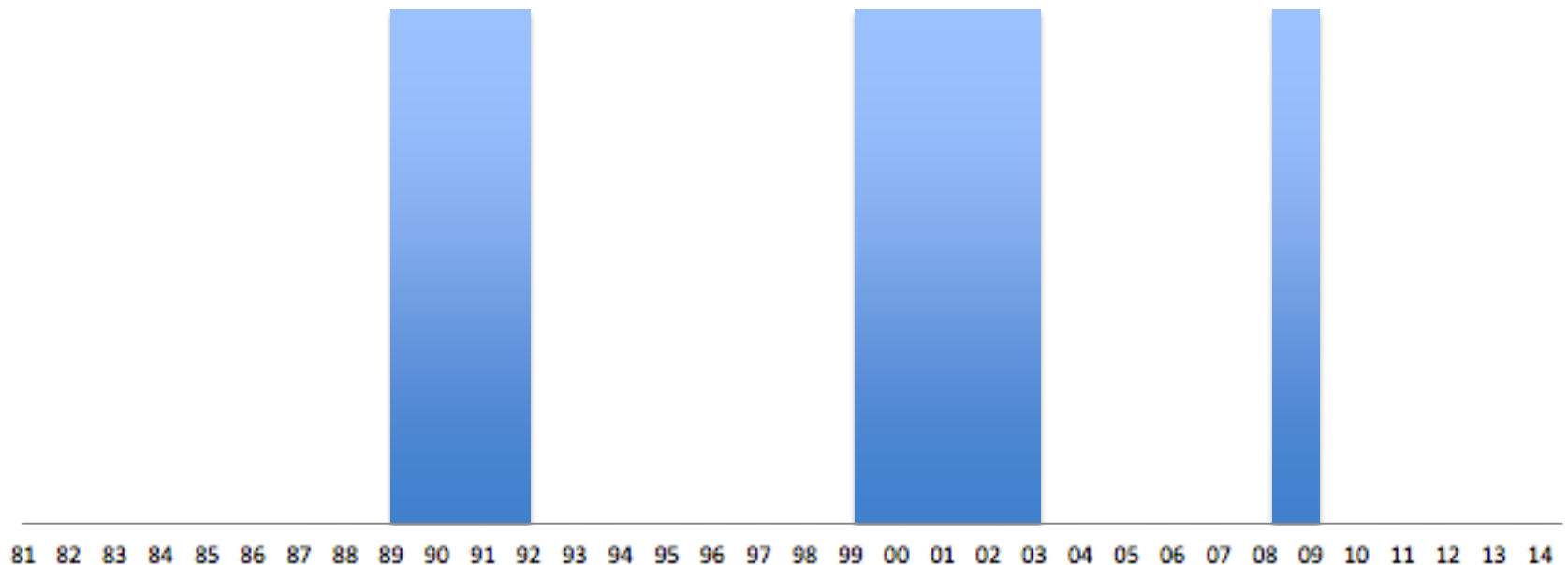




A large, powerful blue wave crashing against a rocky shore under a bright sky. The water is a deep, vibrant blue, and the white foam of the wave is prominent. The sky is a clear, bright blue. The overall scene is dynamic and energetic.

**Projected Global
Default Volume
2016 – 2019
\$ 1.6 Trillion**

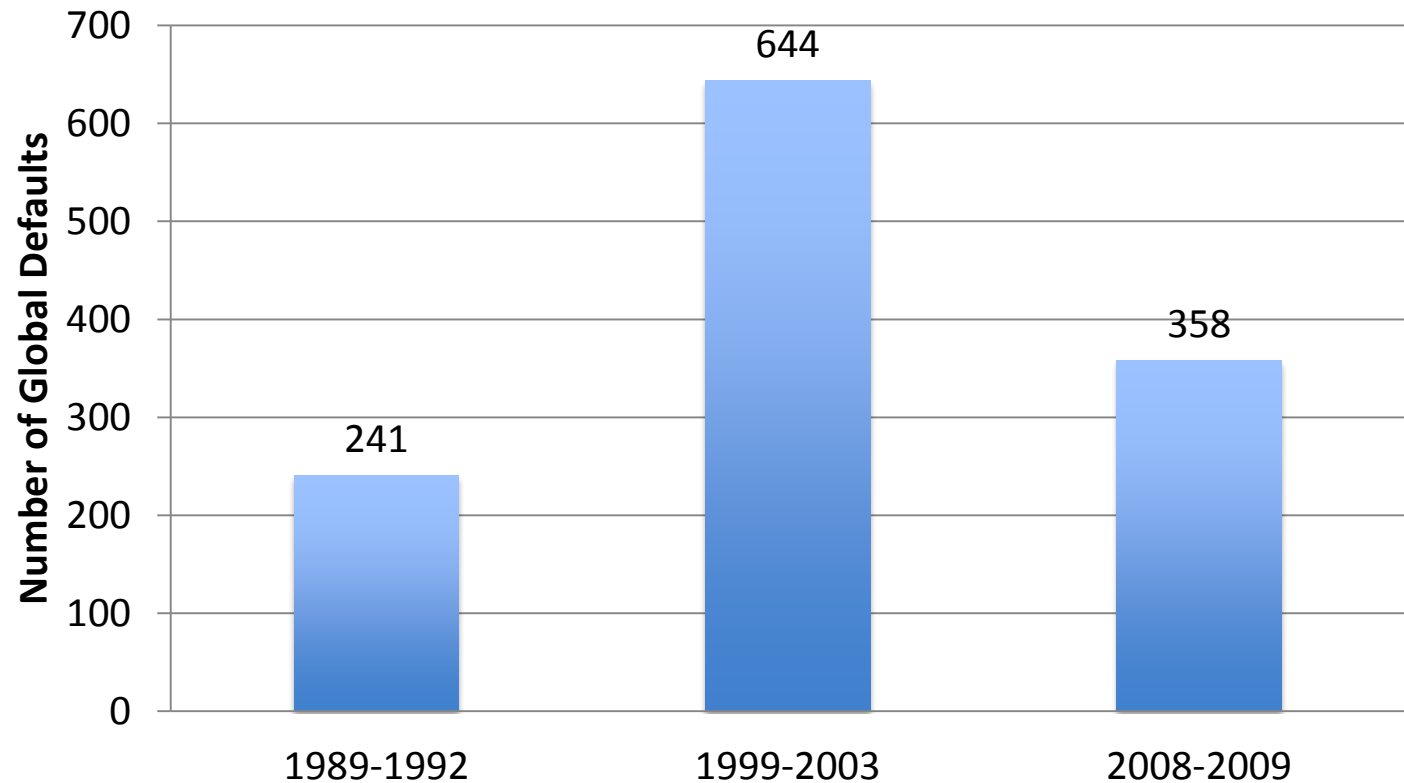
Spacing of Default Surges



Source: Moody's Investors Service

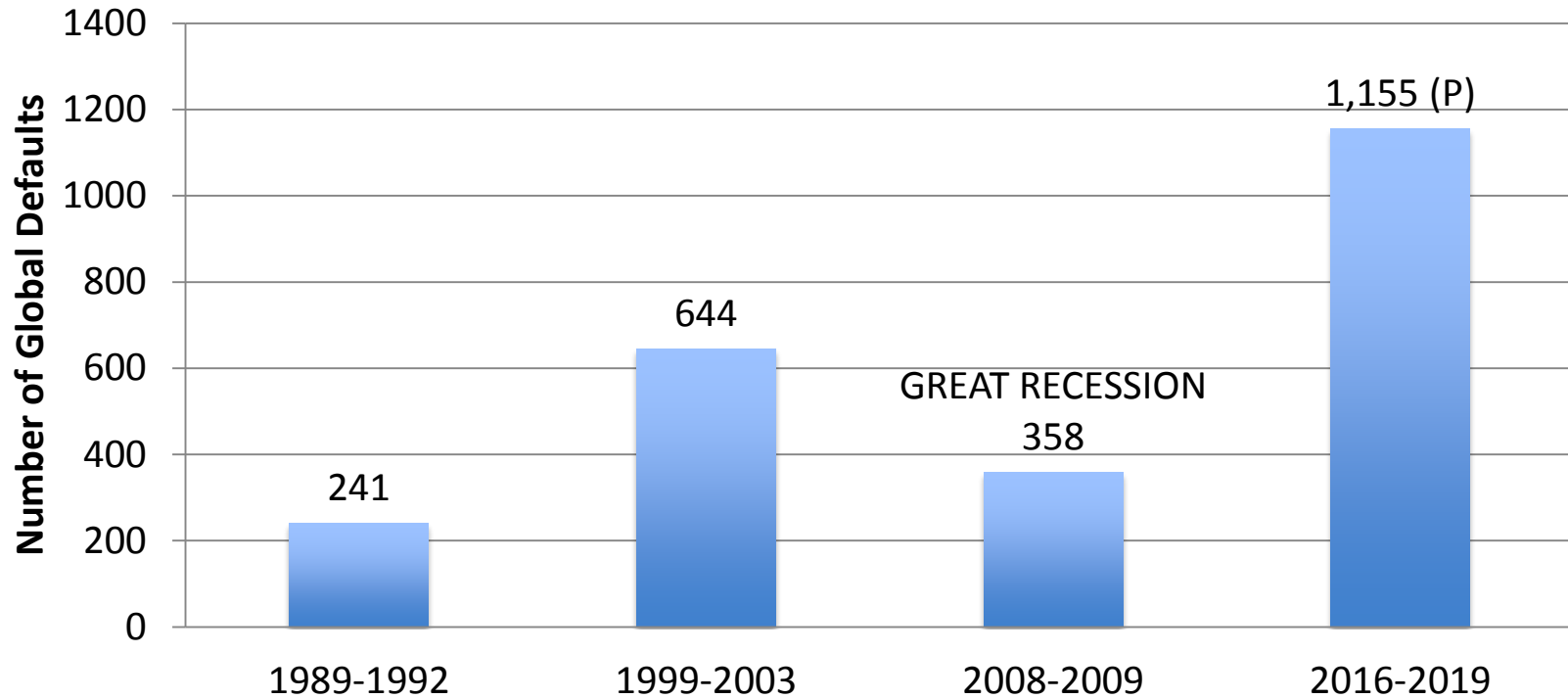
Shaded periods represent years of above-average default rates.

Default Counts in Past Surges



Sources: FridsonVision LLC, Moody's Investors Service

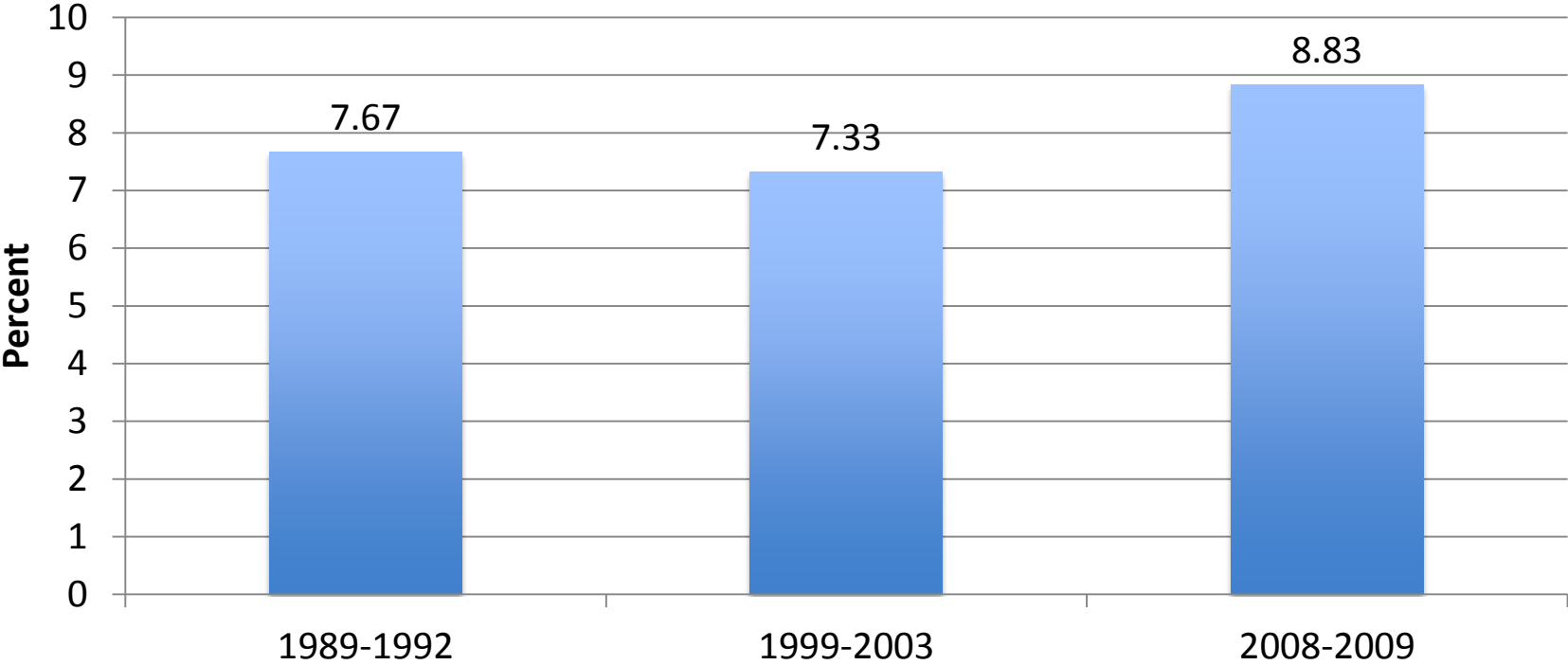
Default Counts – Historical and Projected



Sources: FridsonVision LLC, Moody's Investors Service

You really ain't seen nothing yet!

Average Annual Default Rate*



* Global, speculative grade, percentage-of-issuers

Key Assumptions

- Next Surge
 - Commencement 2016
 - Duration 4 years
- CAGR through 2019
 - Global High Yield Issuers 12%
 - Global High Yield Face Value 11%
- Cumulative Default Rate
 - 2016-2019 33.5%
- Issuer Count Ratio
 - Loans + Bonds (Moody's) 1.63x
 - Bonds (BAML)

Targeted for Default

- CCC Corporate Family Rating
- Negative Rating Outlook
- Price ≤ 70
- Option-adjusted spread-versus-Treasuries
 $\geq 4,000$ basis points

JAMES RIVER COAL

- Twelve months through September 30, 2013:
(unable to file current 10k on time)
- EBITDA/Interest 1.60X
- Free Cash Flow (\$ 000) (139,924)
- In grace period on convertible debt coupon
- Exploring strategic options, including sale of all or part of company

NII HOLDINGS

- Free Cash Flow 2013 (\$ 000) (857,328)
- Negative EBITDA expected in 2014
- Potential covenant violation could trigger default on intermediate holding company debt
- Hired UBS to explore strategic options

How many companies will look like this
when the economy contracts?

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NOTHING

YET !